

Message Text

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14

ACTION EB-07

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AMEMBASSY LONDON

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TAGS: EAIR, GW, WB, FR, UK, US

SUBJECT: CIVAIR: PAA PROPOSES NEW COMMISSION ARRANGE-
 MENT FOR IGS.

1. PAA DIRECTOR RUNNETTE INFORMED US RECENTLY THAT PAA
PLANNED TO INCREASE ITS TRAVEL AGENTS' COMMISSION ON
THE IGS FROM 7.5 TO 8 PERCENT, EFFECTIVE FEB. 1, 1976.
THE CARRIER ALSO PROPOSED TO INTRODUCE A 4 PERCENT
INCENTIVE COMMISSION ADD-ON ON SALES IN EXCESSES OF
105 PERCENT OF THE SAME PERIOD IN THE PRIOR YEAR. THE
INCENTIVE PROGRAM WOULD COMMENCE ON JULY 1, 1976.

2. DURING CAA MEETING ON FEB. 9, FRENCH CAA LASSUS
RAISED THE COMMISSION MATTER, REPORTING AHAT AIR FRANCE
FAVORED THE PROPOSAL BECAUSE IT INTENDED TO ADOPT A
SIMILAR COMMISSION PROGRAM ON ITS OTHER OPERATIONS AND
DID NOT WISH TO HAVE TO DIFFERENTIATE FOR ITS BERLIN
SERVICES. UK CAA GROVES SAID HE THOUGHT BA WAS PRESENT-
LY CONSIDERING THE PROPOSAL, BUT AS YET HAD NOT REACHED
A DECISION. EMB CAA REPEATED U.S. VIEW THAT COMMISSION
PAYMENTS WERE NOT PART OF FARES, AND THEREFORE WE WOULD
CONSIDER THE SETTING OF COMMISSIONS FOR WEST BERLIN A
MANAGEMENT DECISION, TO BE AGREED ON BY THE AIRLINES
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THEMSELVES.

3. RUNNETTE INFORMED US ON FEB. 13 THAT BA WAS APPARENTLY STRONGLY OPPOSED TO THE NEW COMMISSION PLAN, AND WAS TRYING TO CONVINCE HIM (RUNNETTE) NOT TO PROCEED. HE ADDED THAT BA'S BERLIN DIRECTOR HAD TOLD HIM THE BRITISH CAA TOOK THE POSITION THAT COMMISSIONS WERE COMPONENTS OF THE FARE, AND WERE SUBJECT TO CAA APPROVAL. DESPITE THE POSSIBILITY OF STRONG BA OBJECTIONS, PAA FELT IT HAD COMMITTED ITSELF WITH ITS AGENTS TO THE 8 PERCENT LEVEL, AND THE INCENTIVE PROGRAM, AND THEREFORE PROPOSED TO MAKE ITS INTENTIONS PUBLIC THIS WEEKEND.

4. BRITISH CAA TOLD US FEB. 17 THAT PAA AND BA HAD AGREED ON 8 PERCENT COMMISSION AND ON 4 PERCENT INCENTIVE COMMISSION BUT COULD NOT AGREE ON BASE FOR AND EFFECTIVE DATE OF LATTER. BA WANTS BASE FOR INCENTIVE TO BE 110 PERCENT OF LAST YEAR'S SALES AND EFFECTIVE DATE TO BE JAN. 1, 1977. PAA PLANS TO START INCENTIVE COMMISSION ON JULY 1, 1976 AND USE BASE OF 105 PERCENT.

5. AS FAR AS WE HAVE BEEN ABLE TO DETERMINE, LUFTHANSA DOES NOT INTEND TO APPLY THE HIGHER COMMISSION, OR THE INCENTIVE PROGRAM ON ITS DOMESTIC SERVICE. IT SEEMS LIKELY, HOWEVER, THAT THEY WILL INSTITUTE SOMETHING SIMILAR TO PAA'S PROPOSAL ON THEIR INTERNATIONAL ROUTES, BUT IT IS STILL UNCLEAR WHEN. WE HAVE IN THE PAST ATTEMPTED TO KEEP IGS BUSINESS PRACTICES REASONABLY CONSISTENT WITH THOSE OF THE GERMAN DOMESTIC SERVICES, BUT WE SEE NO REASON NOT TO SUPPORT PAA'S PROPOSAL. IN OUR VIEW, ANY DECISION LIKELY TO INDUCE TRAVEL AGENTS TO INCREASE THEIR SALES OF IGS TICKETS WOULD MAKE A POSITIVE CONTRIBUTION TO BOLSTERING THE SAGGING MARKET.

6. THE QUESTION OF WHETHER CAA'S HAVE AUTHORITY WHERE COMMISSIONS ARE CONCERNED -- QUITE APART FROM WHETHER FEES PAID THE AGENT ARE PART OF THE FARE -- IS A TRICKY ONE; HOWEVER, WE THINK IT VALID TO ARGUE THAT THE U.S. HAS A RIGHT TO CHOOSE NOT TO EXERCISE CONTROL OVER A GIVEN AREA OF AIRLINE ACTIVITIES, IF IT BELIEVES THIS LIMITED OFFICIAL USE

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ACTIVITY SHOULD POSSIBLY BE A MATTER LEFT TO THE AIRLINES. AS A PRECEDENT, WE WOULD CITE THE AIRLINES' DECISION AS TO WHETHER TO MOVE TO TEGEL.
HILLENBRAND

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